

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

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SP-02 STR-04 TRSE-00 CIEP-02 FRB-01 OMB-01 SS-15 L-03

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FM AMEMBASSY NEW DELHI

TO AMCONSUL KARACHI IMMEDIATE

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FOR TEXTILE TEAM

E.O. 11652: N/A

TAGS: ETRD, IN

1. THE FOLLOWING ARTICLE APPEARED IN THE ECONOMIC TIMES
OF INDIA MONDAY, AUGUST 23:

2. "INDIAN HANDLOOM GARMENTS MAY ENTER UNITED STATES
WITHOUT ANY QUOTA RESTRICTIONS DURING THE TWELVE-MONTH
PERIOD BEGINNING FROM OCTOBER 1, THE DATE ON WHICH INDO-
US BILATERAL AGREEMENT FOR TEXTILES IMPORTS FOR NEXT YEAR
COMES INTO FORCE.

3. AT THE RECENT HIGH-LEVEL TALKS ON THE BROAD FRAMEWORK
OF THE AGREEMENT HELD BETWEEN THE TWO SIDES HERE, INDIA
SOUGHT THE DISMANTLING OF THE INTER-AGREEMENT REACHED IN
JANUARY THIS YEAR, IN TERMS OF WHICH A QUOTA REGIME ON
THE IMPORT OF INDIAN HANDLOOM-READY MADE GARMENTS WAS ENFORCED.

4. "INDIAN SIDE PLEADED THAT IT AGREED TO THE QUOTA
BECAUSE OF COMPELLING CIRCUMSTANCES. IT IS ADVERSELY
AFFECTING INDIAN EXPORTS OF HANDLOOM GARMENTS AND THEREFORE
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FOR THE NEXT YEAR THE 'STATUS QUO' SHOULD BE RESTORED

AND HANDLOOM GARMENTS SHOULD BE GIVEN QUOTA FREE ENTRY AS ENVISAGED UNDER THE INTERNATIONAL MULTI-FIBRE AGREEMENT.

5. "THE INITIAL RESPONSE OF THE AMERICAN SIDE WAS THAT IT IS TOO EARLY TO CALL FOR A REVIEW OF THE AGREEMENT WHICH HAS BEEN SIGNED JUST EIGHT MONTHS AGO AND SEEK ITS TERMINATION. BUT WHEN THE INDIAN SIDE POINTED OUT THE HARMFUL EFFECTS OF THE ACTION WITH FACTS, THE US SIDE AGREED TO HAVE A SECOND LOOK AT THE ISSUE. IT EXTENDED AN ASSURANCE THAT INDIAN POINT OF VIEW WILL BE VERY SYMPATHETICALLY CONSIDERED.

6. "IF THE US ACCEPTS THE INDIAN REQUEST, THEN THE SPECIAL GROUP, OR GROUP THREE WHICH WAS BROUGHT INTO THE INDO-US BILATERAL AGREEMENT WILL NO LONGER BE IN OPERATION. THERE WILL BE ONLY TWO GROUPS - GROUP ONE COMPRISING FABRICS AND MADE-UPS AND GROUP TWO - MILL MADE GARMENTS AND APPARELS.

7. "DURING THE TALKS INDIA HAS SOUGHT A SUBSTANTIAL INCREASE UNDER BOTH THE GROUPS. FOR FABRICS AND MADE-UPS A TOTAL OF 205 MILLION SQUARE YARDS HAS BEEN SUGGESTED.

8. "THIS IS AGAINST THE ORIGINAL QUOTA OF 140 MILLION SQUARE YARDS FOR THE YEAR 1975-76 FOR GROUP ONE AND 20 MILLION SQUARE YARDS FOR GROUP TWO. THE 140 MILLION WAS REDUCED TO 120 MILLION SQUARE YARDS UNDER THE INTERIM ACCORD TO 120 MILLION SQUARE YARDS. THIS WAS FOUND TO BE EXTREMELY INADEQUATE AS THE QUOTA WAS FINISHED IN THE FIRST SIX MONTHS ITSELF.

9. "UNDER THE INTERIM ACCORD, A QUOTA OF 54 MILLION SQUARE YARDS WAS ALLOTTED TO HANDLOOM GARMENTS. IN ORDER TO PROVIDE IT, A CUT WAS APPLIED IN OTHER GROUPS. THE INTERIM ACCORD WAS VALID FOR TWO YEARS. THE NEED FOR AN INTERIM AGREEMENT AROSE SINCE US INSISTED THAT HANDLOOM GARMENTS SHOULD BE REALLY HANDMADE. LOTS OF CONSIGNMENTS, WERE STRANDED BECAUSE OF INSISTENCE ON THIS POINT THOUGH THE DEFINITION ASPECT COULD NOT BE RESOLVED, THE AGREEMENT PAVED THE WAY FOR SMOOTH FLOW OF GARMENTS EXPORTS TO US AGAIN.

10. "THE US SIDE, IT IS UNDERSTOOD, SOUGHT INDIA'S SUPPORT
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FOR THE EXTENSION OF THE MULTI-FIBRE AGREEMENT WHICH IS DUE TO EXPIRE IN SEPTEMBER NEXT YEAR. THE US TEAM ACTUALLY IS VISITING VARIOUS TEXTILE EXPORTING COUNTRIES, TO SEEK SUPPORT FOR THE CONTINUATION OF THE MFA BEYOND ITS CURRENT TENURE.

11. "FROM THE INDIAN SIDE NO ASSURANCE OF ANY KIND HAS BEEN EXTENDED ABOUT THE EXTENSION OF THE MFA. ON THE CONTRARY, IT WAS POINTED OUT THAT THE WORKING OF THE MFA HAD NOT BEEN

BENEFICIAL TO INDIA AND IT HAD TO FACE MANY PROBLEMS WITH THE IMPORTING COUNTRIES. IT WAS EMPHASIZED THAT INDIA HAS NOT YET MADE UP ITS MIND ON THE ISSUE AND WILL DO SO ONLY AFTER A CAREFUL EXAMINATION OF ITS PAST EXPERIENCES WITH THE AGREEMENT.

12. "FURTHER CONSULTATIONS BETWEEN INDIAN AND US DELEGATIONS WILL BE HELD IN THE FUTURE WHEN A FINAL PICTURE ABOUT NATURE OF AGREEMENT FOR NEXT YEAR WILL BE KNOWN. IT IS, HOWEVER, LEARNED THAT US HAS DECIDED TO PURSUE A LESS PROTECTIONIST APPROACH IN THE MATTER OF IMPORT OF TEXTILES, PARTICULARLY THOSE EMANATING FROM THE DEVELOPING COUNTRIES. THE US TEAM HAS LEFT NEW DELHI FOR KARACHI FOR DISCUSSIONS WITH PAKISTAN GOVERNMENT." SCHNEIDER

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